Perceptions of independent directors about their roles and challenges on corporate boards: Evidence from a survey in Vietnam

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Abstract

Purpose: The purpose of this study is to examine the perceptions of independent directors in Vietnam about their roles and challenges when sitting on the boards of listed companies.

Design/methodology/approach: The study uses mailed questionnaires to collect data. We sent surveys to 810 independent directors from 354 listed companies and received feedback from 170 respondents.

Findings: We examine several aspects of independent directors' work on the board. Findings suggest that independent directors in Vietnam place more emphasis on their advisory role than their monitoring role. In addition, directors also point out their challenges including information asymmetries and the influence of controlling shareholders. These challenges are significant, and they prevent independent directors from properly executing their independent role on the board. These findings reflect some of the unique features of corporate governance in transition economies.

Originality/ Value: We contribute to the literature through providing an insightful view about the nature of the work performed by this type of director in a transition economy. The study is also one of the first studies to use a qualitative instrument to provide an explanation of how controlling shareholders influence independent directors on boards of directors.

Key words: **Corporate governance, Independent directors, ownership concentration, information asymmetries, Vietnam**

Article Classification: Research paper

1. Introduction

Independent directors have long been considered as an important internal corporate governance mechanism, yet there is no universal definition of independent directors. The notion of "independent directors" is originally from the US after a giant corporate collapse – that of the Penn Central Transportation Company, in which the Securities and Exchange Commission (SEC) criticized the Penn Central board for lacking independence, failing to oversee operations, and not being able to identify the company's problems (Gordon, 2007). Since then, independent directors have become more popular in corporate governance and have been central to regulatory reform after several corporate scandals. In the early 1990s, reform in the UK, based on the Cadbury Report released in 1992, has focused on the importance of the independent director. The Report recommends an enhanced function for independent directors as well as an increase in the number of independent directors on boards (Brooks et al., 2009). Another example of reform relating to independent directors is the changes to the ASX Corporate Governance Principles and Recommendations in Australia in 2010 in response to the collapse of the HIH (Le Mire and Gilligan, 2013). These changes in corporate governance are expected to provide effective risk management devices that put more pressure on management to mitigate agency conflicts and unethical managerial behavior while maintaining a company's capacity for innovation. Thus, independent directors are considered to be fundamental to good corporate governance (Brooks et al., 2009).

However, the prior literature fails to establish a robust relationship between independent directors and improvement in firm performance (Hermalin and Weisbach, 2003; Denis and McConnell, 2003). Some authors claim that by lacking operational expertise and a basic understanding of the nature of the company's business, independent directors' contribution to the board and the firms' activities is limited since they may not know what is really going on in the company (Roberts et al., 2005, Ringe, 2013). Another possible reason is that independent directors do not fully recognize their duties/roles on the board because guidelines in the various codes are rather general, particularly in countries where corporate governance is weak (Kakabadse et al., 2010). Therefore, an investigation into the perceptions of independent directors on a range of issues including the nature of the work performed and the challenges faced by them in current corporate governance systems is needed to understand the role of independent directors on boards as well as the monitoring mechanism over management used by them to mitigate agency conflicts in corporate governance.

Given the nature of research to explore the perceptions of independent directors, a study using qualitative methods is required to further our understanding of the role of board members in corporate governance. Prior literature shows that the majority of studies relating to corporate governance, particularly boards of directors, use empirical methods to investigate the role of the board and the relationship between board structure and firm outcomes, yet this method is identified as having various limitations when it comes to examining the role of the board of directors (Bhagat and Bolton, 2008). Examples are the endogeneity issue in corporate governance, heterogeneity in the governance solutions each firm opts for and the over-simplified models used which abstract away from many features of real, complex companies and their corporate governance (Adams et al., 2010).

In the literature, only a few studies have used qualitative instruments to examine the perceptions of independent directors about their roles and challenges when participating on the board; examples are Hooghiemstra and Van Manen (2004) in the Netherlands and Brooks et al., (2009) in Australia. These studies have focused mainly on developed countries while there is a lack of similar studies in other groups of countries such as developing countries or transition economies. In transition economies, independent directors play an important role where corporate governance systems are at an early stage of development (Peng et al., 2003; Clarke, 2006). A study in China by Kakabadse et al. (2010) shows that independent directors in transition economies are not as effective as they should be due to key differences in transition economies as compared with developed countries. The dominance of the state as a major controlling shareholder, the highly concentrated ownership structure as well as the lack of supporting institutions for governance mechanisms are a few key differences between these two group of countries (Peng et al., 2003, Kakaladse et al., 2010).

The notion of independent director originated in the US in the 1970s after the collapse of Penn Central, a major railway company. Then it spread to other countries including developed and developing countries and now transition economies (Ringe, 2013). However, according to Pistor et al., (2003), countries adopting foreign concepts frequently find various challenges to incorporate new concepts into their institutional settings. Therefore, an extension of the literature across transition economies will help us to understand the process of implementing “independent directors” in corporate governance, as well as to examine the role of and challenges for independent directors in transition economies.

One of the features of a transition economy is the movement from a centrally planned economy where the state has total control of companies to a free-market economy. This results in a highly concentrated ownership structure with the dominance of the state as the largest controlling shareholder which may complicate the work of independent directors. According to Ferrarini and Filippelli (2014), the role and impact of independent directors in corporations with controlling shareholders are less frequently analyzed. Independent directors have a different and relatively narrower role to perform in controlled corporations and often play an even weaker role than economic theory would predict.

In this study, we aim to examine the perceptions of independent directors in listed companies in Vietnam via a mail survey to answer the research question: "***How do independent directors recognize their roles and challenges in corporate governance, particularly under the presence of controlling shareholders in a transition economy***?"

One significant advantage of a survey is that it can help to obtain a depth of information from a wide population by collecting quantitative and specific data on the perceptions/beliefs of respondents (Brooks et al., 2009). Mail surveys are also powerful, effective and efficient in terms of costs and administration and can be distributed to many targeted participants. A specific segment of the population (such as a sample of independent directors) can easily be reached via post mail (Scheuren, 2004). So a survey-based approach allows us to ask very specific and qualitative questions to obtain high-quality information while maintaining the relatively large sample (Graham and Harvey, 2001).

Vietnam provides a unique context to answer the research question. Vietnam has a young corporate governance system that emerged after the privatization of state-owned enterprises (SOEs) in the early 1990s. Further, it has a high level of ownership concentration, in which the controlling shareholder can be either the state or private shareholders,[1] weak legal investor protection levels and the dominance of state ownership (World Bank, 2012). The ownership concentration along with the dominance of the state in firm ownership structure and the low level of government efficiency is a unique feature of Vietnam as compared to other transition economies such as Russia and China. For example, Nguyen et al. (2017) find that most of listed companies have highly concentrated ownership. They also find that the highly concentrated ownership in listed companies in Vietnam negatively influences the relationship between independent directors and firm performance and the participation of the state as a controlling

[1] In this study, we define private shareholders as individuals and institutions that are not related to the state.

shareholder undermines this relationship more than private controlling shareholders. Nguyen et al.'s (2017) findings provide a motivation for this study to conduct further investigation into how controlling shareholders, in particular how the state influences independent directors on boards.

The recent introduction of independent directors in corporate governance in Vietnam is another factor that may lead to different findings in the context of Vietnam. In 2012, after some corporate collapses (such as the bankruptcies of Vien Dong Pharmacy, the Bach Tuyet Company, and the Hanic Company), the Vietnam Ministry of Finance released a new version of the Codes for Corporate Governance in Listed Companies in Vietnam.[2] In this new code,[3] independent directors have been clearly defined and required by mandatory regulation it is required for all listed companies to strengthen the monitoring power of the board. However, there are still several issues when implementing the new codes. First, no specific guidance on the responsibilities and duties of independent directors is stated in the code. The code only states the general responsibilities and duties of all board members. Therefore, it is possible that companies have brought independent directors onto the board but independent directors themselves may not be able to understand what they should or should not do as independent directors, how they are different from other board members, and what could be challenging for them when participating on the board of a specific company. Second, although the codes require listed companies to have at least one-third of the board members as independent directors, in fact, only about half of the companies complied with this requirement in 2014 (Nguyen et al., 2017). This demonstrates that independent directors on boards may not have sufficient "collective power" to influence boards' decisions and to execute their monitoring power. Because of these uncertainties, this research will examine how independent directors in Vietnam recognize their roles and challenges when undertaking a new role on the board. The findings will enable government and policy makers to identify the issues in current practice and propose necessary changes to the legislation. Further, the findings may help the government to develop a suitable framework, guidelines, and legislation to enhance the role of independent directors as an important internal control mechanism in corporate governance.

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[2] The first version of the Corporate Governance Codes for Listed Companies in Vietnam is released in 2007.

[3] In Corporate Governance Codes 2012, except for independent directors who are introduced as a mandatory internal control mechanism for listed companies, other control measures such as board committees are optional. Additionally, if boards of directors decide to have a sub-committee, only human resources committee and remuneration committee are required to have at least one independent director to be the committee member.

The paper makes two contributions. The paper's first contribution is its exploration of the perceptions of independent directors in Vietnam from three perspectives – their role, their accessibility to information and the challenges in their work as an independent board member under the presence of controlling shareholders. Most of the previous similar studies on independent directors focus on developed countries such as the US or Australia where corporate governance and its supporting institutions are well developed (Brooks et al., 2009), but little is known about independent directors in countries with weak corporate governance and a lack of supporting institutions. Moreover, differences in economic development and business environment can also result in different perceptions of independent directors as well as different challenges for independent directors (Aguilera et al., 2008). Second, it contributes to the literature on the relationship between independent directors and ownership concentration by pointing out how ownership concentration creates challenges for independent directors under conditions of weak corporate governance. Most of the previous studies focus on the quantitative measure of this relationship, but few have asked independent directors: "how does ownership concentration affect your role?"

The rest of the paper is structured as follows. Section 2 reviews the literature on the roles of and challenges faced by independent directors when sitting on a board. Section 3 describes the data and research design, followed by the results and discussion in Section 4. Section 5 summarizes the conclusions and provides research implications.

2. Literature review

The following section reviews the literature to examine the roles of independent directors in theoretical and empirical studies as well as the challenges faced by independent directors that are examined by corporate governance research.

2.1 Roles of independent directors in corporate governance

On the board of directors, there are three types of directors that are commonly dealt with in the literature: inside directors (who are currently working in the company), grey directors (who are non-executive directors but have relationships with the company, management or blockholders) and independent directors (who are non-executive directors and have no such affiliations) (Bhagat and Bolton, 2008). Among board members, independent directors appear to play a prevalent role in improving the monitoring power of the board over management and to protect the shareholders' interests because of their independence from insiders, management, and the firm's business activities. As a result, companies with more independent directors are more likely to be in a better position to protect shareholders' interests (Bhagat and Black, 1999). In addition, Roberts et al. (2005) argue that independent directors can provide support for executives with their expertise, skills, and experience, apart from their monitoring function. As an outsider, an independent director can challenge the executives, ask questions, engage in discussion and debate on the company's activities so that they contribute to enhancing management performance and, by that means, improving firm performance.

However, the roles and duties of independent directors in the literature are still somewhat unclear. Do independent directors have the same duties and tasks as other board members or do they have some extra duties on the board? Are they effective in their monitoring activities? The literature on the role of independent directors in corporate governance has been developed under two streams, quantitative studies and qualitative studies. The former stream focuses on examining how differences in board structure affect the company's outcomes and performance. In contrast, the latter stream uses qualitative methods like surveys or interviews to explore the question: "What do independent directors do"? It is worth noting that qualitative studies on the role of independent directors are rather limited while the more extensive quantitative studies use archival and secondary data (Adams et al., 2010).

With regard to the quantitative empirical literature, the purpose of this type of research is to examine if particular functions/roles of independent directors contribute to improving corporate outcomes and performance. A large body of literature focuses on the monitoring role of independent directors over management (Hermalin and Weisbach, 1999; Bhagat and Bolton, 2008, Faleye et al., 2011) and over firms' activities (Brickley et al., 1994; Cotter et al., 1997). Hermalin and Weisbach (1998) and Faleye et al. (2011) both find that when the board is independent, CEO turnover is more sensitive to firm performance. However, Bhagat and Bolton (2008) argue that independent directors can be good at evaluating CEO performance, but if independent directors' lack detailed knowledge about the firm's business, they may not be effective in contributing to the process of hiring new CEOs for the company. In relation to the monitoring of independent directors over firms' activities, Cotter et al. (1997), when considering the monitoring role of independent directors in tender offers in the US, find that if the target firm's board is independent, the target shareholder gains over the tender offer period are higher than in target firms without majority-independent boards. Similarly, Brickley et al. (1994) report that US firms with majority-independent boards experience a more significantly positive stock market reaction to the adoption of a poison pills defence in a takeover, as compared with firms without such boards.

Concerning the monitoring function of independent directors, an increasing literature has focused on corporate social responsibility (CSR) and the role of independent directors and the board of directors in satisfying the interests of all stakeholders in the company (Ayuso and Argandona, 2009). Under stakeholder theory, corporate governance is a system that forces management to internalize the welfare of not only shareholders but also stakeholders (Tirole, 2010), in other words, affirming the company purpose of “maximizing the sum of various stakeholders’ surpluses” (Tirole, 2010, p.58). In that meaning, the responsibilities of independent directors toward CSR policies and activities are considered as a contribution to the interests of stakeholders (Freeman and Velamuri, 2006). Therefore, the monitoring by independent directors of CSR becomes more important as a part of their monitoring function.

Recent literature on corporate governance has emphasized the other role of independent directors besides the monitoring role - that is the advisory role. The advisory role is “a more traditional job of forming strategy [that] requires close collaboration” (The Economist, February 2001; p.68). Adams and Ferreira (2007) suggest that both monitoring and advisory roles contribute mainly to improve firm performance but in an advisory role, board members need to take a more hands-off approach in which they must use their expertise and experience to counsel management on firms’ strategic decisions. In addition, according to Faleye et al. (2013), to be effective in an advisory role, directors need to build a trust relationship with the CEO to facilitate the exchange of information and ideas between them. Directors who undertake advisory roles should undertake minimal monitoring activities over management to be able to win the trust of the CEO so that they can get access to relevant strategic information (Adams, 2009).

However, the above literature mostly uses empirical methods to examine the effectiveness of individual monitoring activities by means of archival data. In that respect, it lacks a comprehensive view of monitoring activities.

Few studies, such as Hoghiemstra and Van Manen (2003) and Brooks et al. (2009), use qualitative methods to examine how independent directors understand their roles on the board. Both studies find that independent directors have emphasized their monitoring role while they are still aware of their advisory role. However, this research is in developed countries (Netherland and Australia) where corporate governance systems are highly developed. In the case of transition economies where corporate governance systems are still young and under-developed, it is unclear how independent directors recognize their roles on the board. A similar qualitative study focusing on a transition economy will provide a comprehensive analysis to further our understanding of independent directors in corporate governance across different countries.

2.2 Challenges faced by independent directors

To be qualified as independent, a director needs to satisfy all legal requirements as stated in the corporate governance codes. However, to be effective in his/her work, that director needs to overcome various challenges in corporate governance as well as the business environment. Two common challenges are the information asymmetries between insiders and outsiders and the prevalence of controlling shareholders on the board.

2.2.1 Information asymmetries

Information asymmetries between the executive and non-executive directors are a significant issue for independent directors. Information is essential for independent directors to communicate with insiders and to make appropriate decisions in exercising their duties. Theoretically, in a company where information accessibility is open and information disclosure is at a high level, the effectiveness of independent directors will be higher (Aguilera et al., 2008). Independent directors are considered as part-time officers in the company and they only attend board meetings. Thus, it is difficult for them to get access to company information if information asymmetries between executive directors and independent directors exist (Maassen, 1999). In that situation, independent directors possibly need to rely on publicly available information if they deem that insufficient information is provided to them.

Empirically, Patelli and Prencipe (2007) find a positive relationship between information disclosure and independent directors, which implies that when the board has more independent directors (i.e. more monitoring power), more information is made available to them and more information disclosure also contributes to the greater effectiveness of independent directors. The surveys by Hooghiemstra and Van Manen (2004) point out the concerns from independent directors about their ability to fulfill the role of independent director due to the "independence paradox" (p.314), in which independent directors have to rely on the information provided by management and executive directors while they are expected by regulators and investors to be independent of managers. Stiles and Taylor (2001) also find that because of limited access to information and limited time to devote to being a board member, the board basically acts in a "gatekeeper role" (p.43). Similarly, in Brooks et al.'s (2009) study, independent directors propose that they need more information to support their responsibilities and duties on the board. In particular, they require more "future-oriented" information and fewer historical financial reports, which, by definition, focus on details about past events. It can be seen that information accessibility is crucial for independent directors to execute their roles as a board member, yet the existence of information asymmetries can create challenges to these directors.

2.2.2 Ownership concentration

In companies with controlling shareholders, the prevalent agency conflict that independent directors need to deal with is not the conflict between owners and managers but the conflict between controlling shareholders and minority shareholders (Young et al., 2008). The dominance of controlling shareholders can be a serious challenge to independent directors because the former can use their prevalent voting power to influence management as well as other board members to make decisions contrary to the independent directors (Dahya et al., 2008). The other possibility is that controlling shareholders can collude with independent directors to exploit the benefit of minority shareholders (Jiang and Peng, 2011). In that case, independent directors are not capable of taking up their roles, responsibilities, and tasks, and can become ineffective on the board.

Empirical evidence on the effect of controlling shareholders on independent directors is inconclusive. Some studies find a negative influence of controlling shareholders on independent directors (Claessen and Fan, 2002; Dahya et al., 2008; Fan et al., 2011) while other studies find a positive influence or no impact on controlling shareholders (Patelli and Prencipe, 2007; Liu et al., 2015). Research in transition economies on the impact of controlling shareholders on independent directors is also mixed. In China, Liu et al. (2015) find a positive influence of controlling shareholders on the relationship between independent directors and firm performance while Nguyen et al. (2017) report an opposite impact of controlling shareholders on independent directors in Vietnam. The next question that will be of interest to academia and practitioners is how controlling shareholders influence independent directors on boards.

Little is known about mechanisms that controlling shareholders use to influence independent directors. Is it the effect of the collusion between the two or is it because controlling shareholders use their power on the board to disable the independent directors? Few studies look at this issue. Kakabadse et al. (2010) interview 21 independent directors from listed companies in China, and find that independent directors tend to depend on the person or group who appoints them and in many cases this is the controlling shareholder. By having this on their minds, independent directors become ineffective in monitoring and exercising control over management and also controlling shareholders because they fear being replaced if they challenge either managers or other board members. In addition, controlling shareholders also play a role in recruitment that may lead to the selection of independent directors becoming ineffective. Nevertheless, Kakabadse et al. (2010) also acknowledge that their findings have limitations because of the small sample size used in their study.

A similar study in another transition economy and another context of course, may come up with another finding about the influence of controlling shareholders on the roles that independent directors exercise. As transition economies become more diverse after their transition process (Grosman et al., 2016), corporate governance systems and their associated mechanisms including independent directors may work differently due to differences in political, legal and economic systems as well as the difference in the level of economic development. Apart from these macro-differences, state ownership and government efficiency may differ and may lead to differences in the influence of the state as a controlling shareholder on corporate governance and, in particular, on independent directors. Therefore, this study of the perceptions of independent directors about their roles and challenges under the presence of a controlling shareholder in Vietnam will extend our understanding of the development of corporate governance and how independent directors can contribute to improving governance in a country with a very young corporate governance system. In summary, the study aims to provide an answer to the research question "***How do independent directors recognize their roles and challenges in corporate governance in the presence of controlling shareholders in a transition economy***?"

3. Research design

This study uses a qualitative research method to collect information on the perceptions of independent directors about their roles and challenges on their boards. The data is obtained directly from the participants via a research survey instrument. As our objective is to gather as many opinions of independent directors as possible, we choose a mail survey as the most appropriate data collection method.

However, there are issues with using mail surveys such as procuring an accurate list of people in the population from which to draw the sample. In our study, since there is no database for collecting information about independent directors in Vietnam, we need to manually collect personal information (names and addresses) of independent directors of listed companies in

Vietnam from published annual reports. It is a mandatory requirement for listed companies to specifically identify their independent directors in their published reports. Thus, we rely on this information to build up the mailing list. The list contains 810 independent directors from 354 listed companies, indicating an average of 2.35 independent directors per company. In the population, there are 634 listed companies in 2015, but we exclude financial companies and companies without detailed information of independent directors, and the sample ends up with 354 listed companies.

The surveys are initially designed for a larger study, and we extract part of the survey results for this research paper. The original survey has five parts (please refer to Appendix 1). Part 1 collects demographic information on survey participants; part 2 to part 4 contain information for another study, while part 5 is designed purposely for this study. Part 5 consists of nine sections. At the beginning of each section, a brief instruction is provided to ensure the clarity of the tasks. The questions employed are essentially based on those used in Brookes et al.'s (2009) study and are developed further from a review of the literature. The surveys are structured with a combination of five-point Likert-scale type questions, and Yes/No response type questions to indicate participants' opinions on provided statements about their roles and challenges in participating on a board of directors.

To test the validity of the survey instrument, a draft is sent to several senior academic staff in the Department of Accounting and Corporate Governance at Macquarie University. A Vietnamese version of the survey instrument is sent to some academic staff at the Faculty of Banking and Finance in the Foreign Trade University to check the suitability of the questions to Vietnamese practice and culture. After the pilot test, and based on the feedback from these participants, minor changes are made to the final version of the survey that is sent to independent directors.

In addition, to ensure the validity of the response, we add three extra questions as a manipulation check after each question in part 2 as suggested by Oppenheimer et al., (2009). Final versions of the survey instrument are sent to 810 independent directors[4] in April 2016 with a follow-up mail out after two months. We received 190 responses in total, and after the manipulation check, a total of 170 usable responses remained, representing a response rate of 21%. According to Holbrook et al. (2007), this response rate is reasonable and acceptable given

[4] We employ an agent in Vietnam to administer the surveys on behalf of the research team. We believe that using an agent may help to increase the response rate as they have experience in survey administration as well as a better understanding of Vietnamese market conditions.

the difficulties of obtaining responses from a mailed survey. Moreover, Visser et al. (1996) find that surveys with lower response rates (around 20%) yield more accurate and reliable measurements than surveys with higher response rate (50% or more).

4. Results and discussion

4.1 Personal profile of respondents

The personal profile of respondents to the survey provides information about their age, expertise and experience as independent directors (Table 1). The majority of respondents are in their 30s (48%), 22% of respondents are in their 40s, while the proportions of respondents under 30 and over 50 are almost the same (15%). This shows that independent directors participating in the survey are relatively young.

[Insert Table 1 here]

With regard to their experience as independent directors, since independent directors are introduced in the Corporate Governance Codes 2012, most of the respondents have less than five years' experience in that capacity and may have been recruited to fulfill the requirements of the new code. In fact, 34% of participants tell that they have more than three years' experience sitting on the board of a company where 66% of respondents report less than three years. In addition, the majority of respondents do not have multi-directorships with about 92% of respondents sitting on only one board and 8% saying that they sit on more than one.

Concerning the expertise of independent directors, 41% of respondents specialize in accounting whereas 16% of them have law expertise. Moreover, 24% of respondents work in the non-manufacturing area and 20% work in manufacturing industries. The majority of respondents have a bachelor's degree (69%) while 27% hold a master's degree and 4% even hold a Ph.D.

The youth of the participants in the survey reflects the fact that independent directors are a new and recent addition to corporate governance mechanisms in Vietnam and most of the independent directors lack experience in undertaking this new role.

4.2 Roles of independent directors

As suggested by the literature, independent directors have two major functions on the board – the monitoring function and the advisory function. Each function requires independent directors to take different responsibilities and to make different contributions. To understand the role of independent directors on the boards of Vietnamese listed companies, we ask questions to explore the responsibilities, contributions, and interaction among board members.

4.2.1 Key responsibilities of independent directors

In part 5 of the survey (Appendix 1), we ask questions to understand the perceptions of independent directors of their responsibilities. Key responsibilities of independent directors are outlined in studies by Hooghiemstra and Van Manen (2004) and Brooks et al. (2009) and fall into two different groups: the monitoring responsibilities and advisory responsibilities. Table 1 reports the results of the recognition of independent directors' responsibilities. It is noted that Vietnam corporate governance codes contain no guidelines about the responsibilities of independent directors so the responses in the survey may be the result of self-recognition of directors from their own practice.

As shown in Table 2, it appears that independent directors place emphasis on advisory roles with the highest level of agreement being (1) Contribute to the development of corporate strategy (4.471), (2) Identify issues that require more management attention for future improvement (4.335) and (3) Ensure strategic corporate decisions are reached through sound processes (4.329). In the literature, Hooghiemstra and Van Manen, (2004) and Van den Berghe and Levrau (2004) suggest the "strategic advisor" role of independent directors. In this study, the results provide further evidence about the significance of this role of independent directors in a transition economy. However, the prior literature also notes that to be able to take up the role as "strategic advisor", independent directors need "the freedom and confidence to think independently and widely beyond the functional limits of managerial disciplines" (Garratt, 2005, p.31) along with the ability to obtain access to reliable information and to build up a trust relationship with executive members of management (Faleye et al., 2013). Thus, independent directors should be aware of these challenges when undertaking an advising role on a board. It is also surprising that in Vietnam the monitoring function of independent directors has been rated lower than the advisory function.

[Insert Table 2 here]

Responsibilities associated with the monitoring role are rated lower. In particular, several monitoring responsibilities have quite low scores; such as (1) Scrutinize management performance (4.324), (2) Provide an independent check on corporate control (4.065) and (3) Ensure robust risk management is in place (4.059). Interestingly, independent directors consider the monitoring of senior executive remuneration (3.647) far less important as compared to other responsibilities. In addition, we ask about the monitoring of independent directors over a company's CSR, which is associated with the interests of other stakeholders. We find that independent directors seem to disagree that monitoring CSR is one of their key responsibilities (two responsibilities relating to CSR are ranked lowest as shown in Table 2). The results of the survey demonstrate that independent directors rate their monitoring responsibility toward shareholders higher than towards other stakeholders although they seem to be less agreed about the importance of monitoring responsibilities.

This preference of independent directors for an advisory role is not consistent with the prior literature on independent directors which considers that the primary responsibility of directors is to monitor management (Bhagat and Bolton, 2008; Faleye et al., 2011). However, it may reflect the unique circumstances of many transition economies (Cheung et al., 2008; Kakabadse et al., 2010). The reason may be that in transition economies where there are numerous obstacles for independent directors to execute their monitoring roles (such as concentrated ownership structure, the dominance of the state, weak legal investor protections and lack of experience and capability, etc.), the monitoring function of independent directors is undermined (Cheung et al., 2008). In that situation, independent directors may prefer to undertake an advisory role to avoid possible conflicts arising between them and management and controlling shareholders. Referring to the Vietnam situation, ownership concentration is common in listed companies with the dominance of the state while corporate governance institutions are weak or non-existent (Vo and Nguyen, 2014, Nguyen et al., 2017). Although the new corporate governance codes require listed companies to have more than 30% of board members as independent directors, in practice, many companies fail to do so (Nguyen et al., 2017). As a result, independent directors may not have sufficient power and they may prefer to put less emphasis on the monitoring role in order to avoid conflict with other board members and management.

We further analyze the data to examine if the perception of independent directors with regard to responsibilities relating to monitoring and advisory functions differs across independent directors with different expertise and different degrees of experience on the board. According to Guner et al. (2008) and Wang et al. (2015), independent directors with different expertise may have a different level of effectiveness in the monitoring function. In effect, independent directors with industry expertise are more likely to have a better ability to oversee management (Wang et al., 2015) whereas independent directors with accounting and financial expertise may focus more on finance and investment decisions (which is related to the advisory function) but not monitoring (for example: over executive compensation) (Guner et al., 2008). In this study, we ask independent directors with different expertise about their perceptions of different responsibilities relating to monitoring and advisory functions. The results are presented in Table 3.

[Insert Table 3 here]

Interestingly, the results show that independent directors with law expertise have the highest level of agreement about their responsibilities relating to both monitoring and advisory functions. On the other hand, independent directors with manufacturing expertise have the lowest level of agreement on the responsibilities relating to both advisory and monitoring. This finding contradicts the findings in the study by Wang et al. (2015). Meanwhile, independent directors with accounting backgrounds rate responsibilities relating to their advisory role relatively higher than responsibilities relating to their monitoring function, which is consistent with findings in Guner et al.'s (2008) study. Due to the limited amount of data collected, the analysis on the difference in perceptions of independent directors toward responsibilities relating to monitoring and advisory functions based on the difference in expertise is mainly descriptive. Nevertheless, it still provides evidence on how perceptions of independent directors differ across expertise in Vietnam and suggests important implications.

A possible explanation for the above difference in perceptions of independent directors with different expertise is that in Vietnam there are no legal guidelines for independent directors. Further, no training is provided to independent directors when they participate on the board. As a result, independent directors with law backgrounds may have the skills to achieve a basic understanding of the roles of independent directors in corporate governance legislation. On the other hand, independent directors with manufacturing or non-manufacturing backgrounds may not have access to such sources of information. Thus, they might not know what they should do on the board. This result highlights the need for either guidelines in corporate governance codes for independent directors about their roles or a training course for individuals who have been newly appointed to be independent directors.

[Insert Table 4 here]

The second factor that may affect the perceptions of independent directors about their role is their experience on the board. In our sample, 66% of independent directors have less than three years of experience sitting on a corporate board while 34% of them have more than three years. Generally, the result demonstrates that independent directors with more experience on the board have a significantly higher level of agreement on responsibilities relating monitoring function (as shown in Table 4) while the level of agreement on advisory function is more likely to be the same between two groups of independent directors. This means that more experienced directors establish a better understanding of what they should do on a board in monitoring activities. This result is consistent with prior studies, which suggest that independent directors with more experience exhibit better monitoring and advisory capacities (Ferris et al., 2003; Kroll et al., 2008). This may suggest that in the near future when independent directors can accumulate their experience on the board, they may become more aware of what they should do on the board.

4.2.2 Involvement of independent directors in board activities

To consider the contribution of independent directors to the company, we attempt to explore the areas over which independent directors perceive they have power and their level of contribution in different activities.

[Insert Table 5 here]

As shown in Table 5, 82% of independent directors believe they have the power to influence company strategy which is consistent with the recognition of the most significant responsibility as a strategic advisor, as discussed in the previous section. Independent directors recognize that they have the key responsibility of contributing to corporate strategy, and they believe they have power over this area.

Further, Table 5 demonstrates that only 25% of independent directors indicate that they have the power to change professional advisors for the company and 30% believe that they can control executives' compensation. The low capacity of power to monitor executive compensation along with the unwillingness of independent directors to consider the responsibility to set up executive compensation as a key responsibility, as shown in Table 2, reveal that independent directors in Vietnam tend to avoid monitoring executive compensation. One possible reason is that in transition economies where there is ownership concentration with the dominance of the state, companies tend to have powerful CEOs who have strong ties to controlling shareholders (Lin, 2001). Thus, independent directors may aim to avoid creating conflicts with executives in monitoring remuneration. In our sample, respondents reveal that 56.47% of their CEOs are representatives of controlling shareholders (See Table 7). When comparing the responses of participants whose company has a representative of controlling shareholders as the CEO and the responses of participants whose company has a CEO without any relationship to controlling shareholders, the results show that independent directors in the former group rated the responsibility to set executive compensation relatively lower than the latter group (3.56 against 3.71).[5] The other possible reason is that, in firms with ownership concentration, controlling shareholders have a strong influence on setting executive pay (Kato and Long, 2006) and, hence, less powerful independent directors might be reluctant to execute their monitoring capabilities over executive compensation.

Concerning the involvement of independent directors in different activities, as shown in Table 6, the highest-rated contribution is to protect shareholders'/investors' interests (4.111), which is theoretically the main duty of the board of directors. We also ask if independent directors contribute to protecting the interests of controlling shareholders. However, most respondents agree that protecting the interest of controlling shareholders is an activity to which they make a relatively minor contribution (3.018). Hence, it can be concluded that independent directors aim to place emphasis on protecting the interests of general/minority shareholders to mitigate the conflicts of interest between majority and minority shareholders and between management and shareholders. Further, in this study, it is implied that independent directors protect the interests of shareholders via their advisory role.

[Insert Table 6 here]

Respondents also place in the highest category their contribution to developing company strategies (4.041) and to providing new ideas/insights (3.982). This, again, confirms the preference of independent directors for undertaking an advisory role on a board while it seems that they are less willing to take a monitoring role. The rating of their contribution to improving management's monitoring function was among the lowest score at 3.553.

4.3 Challenges for independent directors on the board

4.3.1 The impact of controlling shareholders

In our sample, 162 responses out of 170 responses are from firms with concentrated ownership structures, of which 56.79% have the state as the controlling shareholder against 43.21% with private controlling shareholders. The dominance of responses from firms with concentrated ownership in this study confirms one significant feature of corporate governance in transition economies: a highly concentrated ownership structure.

[5] We do not report this data on the paper but we are willing to provide the results of this analysis if requested.

The influence of controlling shareholders on the board can be felt through numerous mechanisms such as appointing individuals who have a close relationship with them to be the chair of the board, appointing CEOs and nominating independent directors (Yeh and Woidtke, 2005; Kakabadse et al., 2010). Respondents reveal that 75.88% of companies have as chair a person with a close relationship with controlling shareholders (e.g. family members or representatives); 56.47% of companies have someone with a close relationship with controlling shareholders as CEO. This demonstrates that controlling shareholders have a tendency to influence board composition (appointing the chair) more than CEO appointment. Nevertheless, the high percent of companies having a representative of a controlling shareholder as CEO also indicates the high level of influence controlling shareholders exercise over a firm's daily activities. In addition, the other mechanism that a controlling shareholder may use to exert an impact on the board is to nominate and appoint their representatives as the majority of board members. In the survey, 85.88% of respondents indicate that a controlling shareholder controlled the board by having some representatives on the board. This leads to the possibility that independent directors are reluctant to execute their monitoring function since they know they could not call for votes against the controlling shareholders or against the management if management is backed by controlling shareholders. In addition, in a business environment under a collectivist setting such as in Vietnam, individual relationships are such important elements that people tend to avoid conflicts with their business partners (Vuong et al., 2013). This finding may explain why independent directors prefer to execute their advisory function over their monitoring function on their boards.

[Insert Table 7 here]

Concerning the impact of a controlling shareholder on independent directors, we ask if independent directors are nominated by controlling shareholders or minority shareholders. As shown in Table 7, 60.59% of independent directors reveal that they are nominated by controlling shareholders to participate in the board, and 18.82% of respondents are nominated by minority shareholders with a close relationship with controlling shareholders (for example banks or other financial institutions). However, 20.59% of independent directors are nominated by minority shareholders without any relationship with a controlling shareholder. In summary, about 79% of independent directors participate on the board under the influence of controlling shareholders. As Kakabadse et al. (2010) suggest, once an independent director is nominated and voted for by the controlling shareholder, it is less likely that he/she will vote against the controlling shareholder because that independent director needs the former's voting power to stay on the board.

4.3.2 Information asymmetries

Information is essential for independent directors to undertake their roles regardless of whether they are monitoring or advising. Independent directors are outsiders, and they have limited access to information. Only when the CEO or insiders are willing to share information with them, they can undertake their roles effectively (Stiles and Taylor, 2001). Hooghiemstra and Van Manen (2004) propose the "independence paradox" in which independent directors need to monitor management independently, but have to rely on the information provided by them. In this survey, we also find a similar challenge for independent directors when they participate on the board.

When being asked about the barriers that independent directors face when sitting on the board, the two issues rated the highest are (1) Lack of information for informed decision-making (4.241) and (2) Executive Directors holding back information (4.159). This highlights the problem associated with information accessibility of independent directors to serve the decision-making process. Su et al. (2008) suggest that if there is collusion between controlling shareholders and management, the flow of information to independent directors might be restricted to prevent them from effectively assessing management behavior. In addition, Nowak and McCabe (2003) also find that even without the existence of a controlling shareholder, the CEO and executive directors have controlling powers over information, thus creating information asymmetries with outsider directors.

Concerning the amount of information received, as revealed in Table 8, none of the respondents believes that too much information is provided to them while 83% of them say that they received sufficient information and only 17% responded that they received too little. Regarding the validity of that information, surprisingly, about 23% of respondents tell that they could not check the validity of the information, which indicates a serious problem. While we assume that information is essential to independent directors to fulfill their monitoring and advisory roles, the invalidity of information may lead to inappropriate decisions being made, thus adversely affecting firm performance (Nowak and McCabe, 2003).

[Insert Table 8 here]

With regard to sources of information as presented in Table 9, independent directors also recognize published financial reports and formal board meetings as the most important source of information. Although independent directors reveal that they receive sufficient information, they also claim that the information they receive contains too much emphasis on historically detailed financial information (78.24% of respondents) while they are looking to receive more forecast information (65.14%) and strategic information (52.54%) (See Table 9). This indicates that to make their own decisions they need to rely on either the information publicly provided to other shareholders and public users or the information intentionally provided by the CEO and executive directors. Having said that, the independence paradox also exists in Vietnam as executive directors are still the most important sources of information. This problem is considered a global issue and overcoming the independence paradox is still under consideration with regard to changing the regulatory environment (Brooks et al., 2009).

[Insert Table 9 here]

4.3.3 Other challenges for independent directors in Vietnam

When being asked about the barriers for independent directors in Vietnam, as shown in Table 10, 30% of respondents strongly agree that the lack of detailed guidelines on duties/responsibilities of independent directors in the Corporate Governance Codes for Listed Companies is one of the key barriers for them when participating in a board (rated 4.159). This means there is a lack of legal support to back up the independent directors, and they undertake their roles based on their self-recognition of the concept of "independent directors" borrowed from other countries. This issue is specific to Vietnam because, in many countries, the introduction of independent directors is commonly accompanied by detailed guidelines on responsibilities/duties. For example, the responsibilities of independent directors have been outlined in Guidance Opinion on the Establishment of an Independent Director System in Listed Companies released by the Chinese Securities Regulatory Commission in 2001. In the UK, the UK Corporate Governance Codes of 2012 clearly state the role of independent directors in Section A.4. This raises the possibility for the regulator to release supplementary guidelines on independent directors in a new version of corporate governance codes in Vietnam.

[Insert Table 10 here]

The other issues highlighted in the survey are the lack of knowledge/understanding of the company (3.906) and lack of involvement in the company (3.876). From the perspective of independent directors, this expresses concerns that independent directors may not have sufficient time, and thus make sufficient effort, to be fully engaged and involved in a company's activities. This is in line with Roberts et al. (2005) who suggest that a good understanding of the nature of the company would increase the contribution and accountability of independent directors in a company. Personal issues (such as personal faults or lack of ability) are also counted as barriers for independent directors on the board, and this problem is rated relatively important as compared with other issues (3.812). The next challenges are a lack of support from the Securities Exchange Commission (SEC) to help independent directors to understand their roles on the board (3.642), a lack of fresh ideas to contribute to the board (3.618) and a lack of commitment by independent directors in the companies (3.612).

5. Conclusion

This study examines the perceptions of independent directors in Vietnam when participating on boards of directors in listed companies. The results of the survey reveal that independent directors in Vietnam have a preference for undertaking an advisory role compared to a monitoring role. In addition, the perceptions of independent directors on their roles are different according to their expertise and experience on the boards. In particular, independent directors with law expertise appear to have the highest level of agreement on monitoring and advisory responsibilities on the board. This result demonstrates a need for supplementary guidelines on the roles and responsibilities of independent directors in the Corporate Governance Codes and a training course for individuals prior to commencing duties as independent directors on boards of directors. The finding also suggests that more experienced independent directors are more aware of their functions on the board which is a positive sign for corporate governance reform in Vietnam.

In addition, independent directors in Vietnam tend to choose to undertake an advisory role on the board. However, they are facing several difficulties. The first one is information asymmetries between insiders and outsiders – the independence paradox. This is not an unexpected problem as it has been found in many developed and developing countries (e.g., Nowak and McCabe, 2003; Hooghiemstra and Van Manen, 2004, Brooks et al., 2009). Our findings indicate that information is also an issue in transition economies. More attention from regulators is needed to create a more transparent environment for all parties to obtain access to relevant information. Additionally, in this survey, independent directors claim that CEOs intentionally hold back information and that they need to rely mostly on public information and information from the formal board meeting. That prevents independent directors from having sufficient information to understand the nature of decisions to be made. To be more effective, independent directors look forward to receiving more future forecast and strategic information while receiving less published financial information.

The second challenge is the concentrated ownership commonly found in developing and transition economies. The literature suggests that controlling shareholders can adversely influence the effectiveness of independent directors. Our study points out several mechanisms by which controlling shareholders can affect independent directors in Vietnam. First, most respondents agree that controlling shareholders can disable the power of independent directors on the board by exerting control over the CEO, the chair or the majority of board members. Second, most respondents believe that the existence of controlling shareholders and their power limit the monitoring capacity of independent directors as directors need the voting power of controlling shareholders to be board members and it is not usual for them to be entirely independent of those who appoint them.

In conclusion, this study formulates some insights into the perceptions of independent directors about their roles and the challenges faced by them and suggests several implications for both regulators and practitioners in Vietnam. Appropriate steps should be taken to encourage the engagement of independent directors and to limit the challenges for them on boards. First, by accelerating the privatization process, state ownership concentration can be reduced while legal investor protection can be strengthened. In doing so, the ownership structure in firms with the state as a controlling shareholder will be dispersed, leaving independent directors with more power on the board through receiving more voting power from minority shareholders. Additionally, minority shareholders will be protected legally, thus they will have more power to support independent directors on boards. Second, the result also highlights the need for guidelines in corporate governance codes and for training for independent directors so that they can understand what they should do when sitting on a corporate board. Finally, information disclosure and transparency is an issue for independent directors that prevents them from being effective in their decision-making. Regulators and the Security Exchange Commission in Vietnam should take specific actions in relation to policies that enhance information disclosure and transparency, such as requiring more mandatory information disclosure and increasing the penalty for information fraud.

The study has some limitations. Due to the small number of responses, the results cannot be generalized to all independent directors. This limitation is unavoidable with survey data collection. However, since the respondents in the survey come from various regions throughout Vietnam and from different industries, the result can be taken as a recommendation for Vietnam authorities, policy makers, and practitioners. Second, this study only considers the difference in perceptions of independent directors across different expertise and experience. Other factors may also affect the perceptions of independent directors such as age, education or gender. Additionally, the analysis does not control for firm characteristics, such as firm size, profitability, leverage, firm age. Finally, to provide a more comprehensive understanding, further studies can examine how these factors may affect independent directors’ behavior.

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LIST OF TABLEs

Paper title: "*Perceptions of independent directors on their roles of and challenges on corporate boards – Evidence from a survey in Vietnam*"

Table 1 - Survey respondents' profiles

Age	< 30s: 15%	30-40: 48%	40-50: 22%	>50s: 15%
Experience	Less than 3 years	66%	More than 3 years	34%
Expertise	Accounting 41%	Manufacturing 20%	Non-manufacturing 24%	Law 16%
Education	Bachelor degree 69%	Master degree 27%	PhD 4%	

Multi-directorship	Participate in 1 board	92%	Participate in more than 1 boards	8%

Table 2 – Key responsibilities of independent directors

	Classification	Mean	Median	Standard deviation
Contribute to the development of company strategy	Advisory	4.471	5	0.808
Identify issues that require more of management's attention	Advisory	4.335	5	0.863
Ensure strategic corporate decisions are reached through sound processes	Advisory	4.329	4	0.820
Scrutinize management performance	Monitor	4.324	4	0.854
Comment on the attainment of the performance objectives for the company	Advisory	4.288	4	0.803
Play an active part in determining performance objectives/measures of the board	Advisory	4.276	4	0.814
Contribute to the development of internal performance measures	Monitor	4.253	4	0.850
Play an active part in determining performance objectives/measures for the company	Advisory	4.235	4	0.740
Satisfy themselves that financial information is accurate	Monitor	4.153	4	1.044
Be accessible to company managers to advise of untoward matters	Advisory	4.100	4	0.854
Provide an independent "check" on corporate control	Monitor	4.065	4	0.974
Ensure robust risk management is in place	Monitor	4.059	4	1.118
Play an active part in determining social responsibility performance objectives/ measures of the company	Monitor (Stakeholders)	4.024	4	0.863
Play a key role in the setting of senior executive compensation	Monitor	3.647	4	1.051
Play an active part in ensuring the company meets its social responsibility objectives/ measures	Monitor (Stakeholders)	3.353	3	1.023
Be a spokesperson to support specific corporate policies before the public and government	Monitor (Stakeholders)	2.782	3	1.138

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

Table 3 – Key responsibilities of independent directors with different expertise

	Accounting	Law	Non-Manufacturing	Manufacturing
Contribute to the development of company strategy	4.087	4.296	4.05	3.823
Identify issues that require more of management’s attention	4.159	4.296	4.189	3.970
Ensure strategic corporate decisions are reached through sound processes	4.378	4.481	4.125	4.323
Scrutinize management performance	4.463	4.556	4.075	4.174
Comment on the attainment of the performance objectives for the company	4.565	4.444	4.375	4.411
Play an active part in determining performance objectives/measures of the board	4.405	4.333	4.1	4.176
Contribute to the development of internal performance measures	4.304	4.333	4.125	4.147
Play an active part in determining performance objectives/measures for the company	3.739	3.815	3.6	3.382
Satisfy themselves that financial information is accurate	4.304	4.481	4.175	4.235
Be accessible to company managers to advise of untoward matters	4.333	4.629	4.325	4.117
Provide an independent “check” on corporate control	4.202	4	4.075	3.823
Ensure robust risk management is in place	4.275	4.518	4.3	3.941
Play an active part in determining social responsibility performance objectives/ measures of the company	4.058	4.185	4.075	3.764
Play a key role in the setting of senior executive compensation	4.058	4.222	4.1	4.088
Play an active part in ensuring the company meets its social responsibility objectives/ measures	3.289	3.518	3.3	3.411
Be a spokesperson to support specific corporate policies before the public and government	2.710	2.889	2.925	2.676

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

Table 4 - Key responsibilities of independent directors with different experience

	IDs with more than 3-year experience	IDs with less than 3-year experience	Mean difference (P-value)
Contribute to the development of company strategy	4.035	4.070	-0.035 (0.845)
Identify issues that require more of management's attention	4.070	4.194	-0.124 (0.464)
Ensure strategic corporate decisions are reached through sound processes	4.508	4.230	0.279 (0.044)**
Scrutinize management performance	4.403	3.911	0.492 (0.001)***
Comment on the attainment of the performance objectives for the company	4.508	4.433	0.075 (0.572)
Play an active part in determining performance objectives/measures of the board	4.385	4.097	0.288 (0.023)**
Contribute to the development of internal performance measures	4.333	3.964	0.369 (0.002)***
Play an active part in determining performance objectives/measures for the company	3.789	3.575	0.214 (0.211)
Satisfy themselves that financial information is accurate	4.421	4.106	0.315 (0.016)**
Be accessible to company managers to advise of untoward matters	4.333	4.336	-0.003 (0.983)
Provide an independent "check" on corporate control	4.122	4.035	0.087 (0.582)
Ensure robust risk management is in place	4.386	4.079	0.306 (0.028)**
Play an active part in determining social responsibility performance objectives/ measures of the company	4.123	3.867	0.256 (0.066)*
Play a key role in the setting of senior executive compensation	4.246	3.903	0.343 (0.011)**
Play an active part in ensuring the company meets its social responsibility objectives/ measures	3.667	3.195	0.471 (0.004)***
Be a spokesperson to support specific corporate policies before the public and government	2.912	2.716	0.196 (0.292)

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

*, ** and *** indicate statistical significance at the 10%, 5% and 1% respectively

Table 5 – Actions independent directors have power over

Influence company strategy	82%
Communicate with shareholders directly	50%
Change under-performing executives	43%
Control executive directors' compensation	30%
Change professional advisors	25%

Table 6 – Level of Contribution as an independent director on particular activities

	Mean	Median	Standard deviation
To protect shareholder/ investor interest	4.111	4	0.665
To develop company strategies	4.041	4	0.708
To provide new ideas/ insights	3.982	4	0.717
To monitor the quality of published financial reports	3.888	4	0.866
To ask questions and challenge actions and decisions	3.769	4	0.854
To monitor performance of the board/ other directors	3.688	4	0.962
To monitor performance/ remuneration of managers	3.553	4	0.850
To protect the interest of controlling shareholders	3.018	3.5	0.858

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)

Table 7 – Influence of controlling shareholders

	In total sample of responses	From firms with State ownership	From Private firms
Number of responses from firms with controlling shareholders	162 (95.29%)	92 (56.79%)	70 (43.21%)
Number of responses from firms with chairperson as a representative of controlling shareholders	129 (75.88%)	82 (63.56%)	47 (36.44%)
Number of responses from firms with CEO as a representative of controlling shareholders	96 (56.47%)	65 (67.71%)	31 (32.29%)
Number of responses firms dominantly controlled by controlling shareholders	140	85 (60.72%)	55 (39.28%)
Mechanism to control the firms by controlling shareholders:			
1. By appointing more representatives as board members	146 (85.88%)		
2. By appointing the chairperson	129 (75.88%)		
3. By appointing CEO	96 (56.47%)		
4. By appointing independent directors	72 42.35%)		
Nomination of independent directors:			
1. By controlling shareholder	103 (60.59%)		
2. By minority shareholders with close relationship with controlling shareholder	32 (18.82%)		
3. By minority shareholders who has no relationship with controlling shareholder	35 (20.59%)		

Table 8 – Information received by independent directors

<table>
<tr><td rowspan="2">Amount of information received</td><td>Too much</td><td colspan="2">Sufficient</td><td>Too little</td></tr>
<tr><td>0%</td><td colspan="2">83%</td><td>17%</td></tr>
<tr><td>Ability to check validity of information</td><td colspan="3">Yes: 77%</td><td>No: 23%</td></tr>
<tr><td rowspan="2">Type of information to be received more</td><td>Strategic information</td><td>Forecast information</td><td>Business analysis</td><td>Detailed historic financial information</td></tr>
<tr><td>65.14%</td><td>52.54%</td><td>44.12%</td><td>8.15%</td></tr>
<tr><td rowspan="2">Type of information to be received less</td><td>Strategic information</td><td>Forecast information</td><td>Business analysis</td><td>Detailed historic financial information</td></tr>
<tr><td>4.71%</td><td>12.35%</td><td>6.47%</td><td>78.24%</td></tr>
</table>

Table 9 – Sources of information

	Mean	Median	Standard deviation
Published financial reports	4.341	4	0.698
Formal board meetings documents	4.192	4	0.734
Informal meetings with board members	3.676	4	0.785
Meeting with heads of business units	3.665	4	0.842
Visits to operational areas	3.623	4	0.897
Strategy-away days	3.565	3.5	0.954
Participation in company events	3.406	3	0.864

(Anchor point: 1 – No importance to 5 – Very high importance)

Table 10 – Barriers to independent directors

	Mean	Median	Standard deviation
Lack of information for informed decision-making	4.241	4.5	0.621
Lack of detailed guidelines on the duties/ responsibilities of independent directors in "Corporate governance rules for listed companies"	4.159	4	0.700
Lack of knowledge/ understanding of the company	3.906	4	0.862
Executive directors holding back information	3.882	4	0.694
Lack of involvement in company (for example: only being available for board meetings)	3.876	4	0.986
Personal faults/ lack of ability	3.812	4	0.973
Insufficient remuneration to motive/recruit	3.735	4	0.982
Lack of adequate training provided by SEC to support independent directors to understand their roles in corporate governance system	3.624	4	1.007
Been in the position for too long/ lack of fresh ideas	3.618	4	0.949
Lack of commitment	3.612	4	0.885
Too many responsibilities elsewhere	3.576	4	0.953
Lack of time	3.341	3	1.067
Too many rules/ red tape due to corporate governance reforms	3.076	3	1.206

(Anchor point: 1 – Strongly disagree to 5 – Strongly agree)